

be withheld. Notwithstanding the foregoing, prior to the Closing Date, Purchaser shall not, directly or indirectly, contact any Internet Customer or Internet supplier of MCI without MCI's prior written consent (apart from contacts in the ordinary course in furtherance of C&W's or Purchaser's then existing business). Both before and after Closing, MCI shall reasonably cooperate with Purchaser to facilitate contacts with such customers, such contacts to occur on or after the Closing Date.

6.3 Consents and Approvals. (A) MCI and WorldCom shall make or cause to be made all necessary filings, as promptly as practicable, including, without limitation, those required under the HSR Act, in order to facilitate prompt consummation of the transactions contemplated hereby. In addition, MCI and WorldCom shall each use its reasonable efforts, and shall cooperate fully with Purchaser to (1) comply as promptly as practicable with all governmental requirements applicable to the transactions contemplated hereby and (2) obtain promptly all approvals, permits, orders, qualifications or other consents of any applicable Governmental or Regulatory Authority necessary for the consummation of the transactions contemplated by this Agreement. MCI and WorldCom shall furnish to Purchaser such necessary information and reasonable assistance as Purchaser may reasonably request in connection with the foregoing.

(B) Subject to the Confidentiality Agreements and applicable Law, MCI and WorldCom shall coordinate and cooperate with Purchaser in providing such assistance as Purchaser may reasonably request in connection with the foregoing and in seeking early termination of any applicable waiting periods under the HSR Act or in connection with other regulatory approvals and consents. MCI and WorldCom agree to respond promptly to and to comply fully with any request for additional information or documents under the HSR Act and any similar applicable foreign Laws.

(C) MCI and WorldCom will, as promptly as practical, seek to obtain all consents, approvals or actions of, and give all notices to, any Person required of MCI and WorldCom in respect of the transactions contemplated hereby and provide such other information and communications to such Persons as such Persons may reasonably request in connection therewith. MCI and WorldCom will provide prompt notification to Purchaser when any such consent or approval is obtained.

6.4 Use of C&W's Names. MCI and WorldCom shall not, and shall cause their respective Affiliates not to, use the name "Cable & Wireless", nor any and all logos, trademarks, service marks, business names and trade names associated therewith, any variation thereof or anything similar thereto, nor any other names, logos, trademarks, service marks, business names and trade names utilized by C&W or its Affiliates in their business, provided, however, that for a period of one year after the Closing Date, MCI will be licensed by C&W to identify to any Internet Customer whose Internet Contract has not been assigned to INetCo as of such time that "Internet Services are being provided over the Cable & Wireless Internet backbone network (formerly operated by MCI)".

ARTICLE 7 – COVENANTS OF PURCHASER AND C&W

7.1 Consents and Approvals. (A) Purchaser and C&W shall make or cause to be made all necessary filings, as promptly as practicable, including, without limitation, those required under the HSR Act, in order to facilitate prompt consummation of the transactions contemplated hereby. In addition, Purchaser shall use its reasonable efforts, and shall cooperate fully with MCI and WorldCom, to (1) comply as promptly as practicable with all governmental requirements applicable to the transactions contemplated hereby and (2) obtain promptly all approvals, permits, orders, qualifications or other consents of any applicable Governmental or Regulatory Authority necessary for the consummation of the transactions contemplated by this Agreement. Purchaser shall furnish to MCI and WorldCom such necessary information and reasonable assistance as MCI may reasonably request in connection with the foregoing.

(B) Subject to the Confidentiality Agreements and applicable Law, Purchaser and C&W shall coordinate and cooperate with MCI and WorldCom in providing such assistance as MCI or WorldCom may reasonably request in connection with the foregoing and in seeking early termination of any applicable waiting periods under the HSR Act or in connection with other regulatory approvals and consents. Purchaser and C&W agree to respond promptly to and to comply fully with any request for additional information or documents under the HSR Act and any similar applicable foreign Laws.

(C) Purchaser and C&W will, as promptly as practical, seek to obtain all consents, approvals or actions of, and give all notices to, any Person required of Purchaser or C&W in respect of transactions contemplated hereby and provide such other information and communications to such Persons as such Persons may reasonably request in connection therewith. Purchaser and C&W will provide prompt notification to MCI when any such consent or approval is obtained.

7.2 Prohibited Transactions. Purchaser and C&W will be restricted from transferring any of the Transferred Assets (other than insignificant assets in the ordinary course of business) or entering into any business combination, joint venture or alliance involving, directly or indirectly, any of the Transferred Assets, or selling a direct or indirect equity interest in the iMCI Business (or any entity of which the iMCI Business becomes a part) (a "Prohibited Transaction") as follows:

(A) Neither Purchaser nor C&W may enter into a Prohibited Transaction with GTE Corporation ("GTE"), Sprint Corporation ("Sprint") or the entity resulting from the merger of MCIC and WorldCom ("MCI WorldCom"), or any Affiliate of any of them, during the period commencing on the Acceptance Date and ending two years from the Closing Date, unless, in connection therewith, Purchaser voluntarily divests the iMCI Business prior to the consummation of such Prohibited Transaction.

(B) If Purchaser or C&W enters into a Prohibited Transaction with American Telephone and Telegraph Company ("AT&T") or a Regional Bell Operating Company (an "RBOC") or any Affiliate of any of them after the Acceptance Date, or with GTE or Sprint or any Affiliate thereof after the second anniversary of the Closing Date, (i) the

pricing provisions under the Services Agreements shall terminate, and pricing applicable to the last year of the applicable Renewal Term of such agreements, as defined therein, or if no such pricing is specified, rates then prevailing in the market place, shall apply, (ii) the customer non-solicitation and no contract provisions applicable to MCI and WorldCom set forth in Section 8.13 shall be each reduced by six months, (iii) Purchaser's right to collocation under the Collocation Agreement shall terminate twelve (12) months from the date of consummation of such Prohibited Transaction, unless it terminates earlier pursuant to its terms, and (iv) for the avoidance of doubt, the provisions of this Section 7.2 (B) shall be MCI's exclusive remedy with respect to any such Prohibited Transaction discussed in this Section 7.2(B).

(C) If Purchaser or C&W enters into or announces a Prohibited Transaction with GTE or Sprint during the period commencing on the Acceptance Date and ending on the Closing Date, MCI shall have the option of terminating this Agreement pursuant to Section 10.1(D) or seeking injunctive relief pursuant to Section 12.7 (which shall not foreclose MCI from terminating this Agreement pursuant to Section 10.1(D) if such injunctive relief is not available).

(D) Notwithstanding anything else in this Agreement or any Ancillary Agreement to the contrary, peering arrangements and ordinary course operational relationships shall not be considered Prohibited Transactions.

(E) For the avoidance of doubt, each of Purchaser and C&W is entitled to enter into a Prohibited Transaction with any third party while continuing to enjoy, undiminished, all rights under the Services Agreements and Section 8.13 hereof, except as specifically provided in this Section 7.2.

7.3 Use of MCI's Names. (A) Purchaser shall not, and shall cause its Affiliates not to, use the name "MCI", nor any and all logos, trademarks, service marks, business names and trade names associated therewith, any variation thereof or anything similar thereto, nor any other names, logos, trademarks, service marks, business names and trade names utilized by MCI in its business, provided, however, that for a period of one year after the Closing Date, INetCo will be licensed by MCI to identify the Internet Backbone and /or the iMCI Business as "formerly the internetMCI backbone network" and/or "formerly the iMCI business".

(B) Purchaser will within thirty (30) days after the Closing Date cause INetCo to remove the MCI name and any MCI trademarks, trade names and service marks from any screen of a graphical user interface for any system.

(C) Purchaser will as promptly as practicable cause INetCo to remove the MCI name and any MCI trademarks, trade names and service marks from any signage on or in the Sacramento call center, but in no event will such removal be later than ninety (90) days after the Closing Date with respect to signage located outside the facility and twenty (20) days after the Closing Date with respect to signage located inside the facility.

7.4 Accounts Receivable. Purchaser shall cause INetCo to provide reasonable cooperation with MCI in connection with the collection of any accounts receivable retained by MCI relating to the iMCI Business, and payments received by INetCo from Internet Customers shall first be applied to any outstanding Internet Contract accounts receivable retained by MCI for such Internet Customer.

ARTICLE 8 – ADDITIONAL AGREEMENTS

8.1 Allocation of Purchase Price. Purchaser and MCI shall, as appropriate, enter into an agreement (the "Allocation Agreement") concerning the computation of the allocation of the Purchase Price and assumed liabilities among the transferred items and the additional transactions and agreements contemplated herein (the "Allocation"). Such agreement will be entered into within ninety (90) days after the Closing Date. To facilitate the Allocation Agreement, MCI's accountants shall develop the data needed to compute the Allocation and provide Purchaser's accountants with all materials reasonably requested by them to facilitate their confirmation of the data. If there is a dispute as to the computation of the Allocation, the fair market value of the assets of INetCo shall be determined by an appraisal conducted by Arthur Andersen LLP or another accounting firm of national reputation acceptable to both Purchaser and MCI (the "Designated Appraiser") within ninety (90) days of referral to the Designated Appraiser. Purchaser and MCI shall share equally in all fees and expenses of the appraisal conducted by the Designated Appraiser. All values contained in the Allocation Agreement shall be consistently reported for Tax purposes in accordance with the procedures reflected herein. Each party will bear the expenses of its own accountants.

8.2 Transfer Taxes. To the extent that Purchaser or MCI or any Affiliate of Purchaser or MCI is required to file any documentation with respect to Transfer Taxes, Purchaser and MCI agree to file, and to cause any of their respective Affiliates to file, such documentation in a timely manner. Any interest and penalties arising in connection with such Transfer Taxes shall be the responsibility of the party required to file Tax Returns concerning such taxes. MCI and Purchaser agree to cooperate with respect to the filing of such documentation. Purchaser shall pay for any and all Transfer Taxes assessed against MCI by a Tax Authority in connection with the transactions contemplated hereby or reimburse MCI for any such Transfer Taxes paid by MCI. All reimbursements shall be paid by Purchaser within thirty (30) days of submission by MCI to Purchaser of evidence reasonably satisfactory to Purchaser of such payment of Transfer Taxes by MCI.

8.3 Apportioned Obligations. (A) The parties hereto agree that the Apportioned Obligations shall be apportioned between MCI and Purchaser as of the Effective Time based on the number of days in any such period falling before the Effective Time, on the one hand, and on or after the Effective Time, on the other hand (it being understood that INetCo will be responsible for the portion of each such Apportioned Obligation attributable to the number of days on and after the Effective Time in the relevant assessment period). At or about the Effective Time, Purchaser and MCI shall cause readings or other measurements of gas, water,

electricity and other utilities to be taken. Such readings and measurements shall be binding, conclusive and used for purposes of the apportionment provided herein. Each party hereto shall cooperate in assuring that Apportioned Obligations the payment of which is due on or prior to the Effective Time are billed directly to and paid by MCI, and that Apportioned Obligations whose payment is due after the Effective Time shall be billed directly to and paid by INetCo. Within fifteen (15) days of the Closing Date, (i) MCI shall deliver to Purchaser any bill received by it in respect of any Apportioned Obligations not then due and payable together with payment in an amount equal to MCI's pro rata share of such bill; and (ii) MCI and Purchaser shall each present or cause to be presented a statement to the other setting forth the amount of reimbursement to which each is entitled under this Section 8.3 as of the most recent practicable date (together with such supporting evidence as may be reasonably requested), and they shall calculate the amount by which such reimbursement owed to one party exceeds that owed to the other (the "Proration Amount"), and on such date the Proration Amount so determined shall be paid by the party owing it to the other. Thereafter, MCI shall notify INetCo upon receipt of any bill for Apportioned Obligations, part or all of which are attributable to any period following the Effective Time, and shall promptly deliver such bill to INetCo, and Purchaser shall cause INetCo to pay the same to the appropriate Governmental or Regulatory Authority or other obligee, provided that if such bill covers any Apportioned Obligations for any period on or before the Effective Time, MCI shall also remit to INetCo, prior to the due date of such bill, payment of the proportionate amount of such bill that is attributable to such period on or before the Effective Time. In the event that any party shall thereafter make a payment for which it is entitled to reimbursement under this Section 8.3, the party so obligated to make such reimbursement under this Section 8.3 shall make such reimbursement promptly upon the presentation of such supporting evidence as may be reasonably requested. MCI, INetCo and Purchaser shall cooperate, including during times of audit by taxing authorities, to avoid payment of duplicate or inappropriate Taxes or other ad valorem obligations of any kind or description which relate to the iMCI Business, and each party shall furnish, at the request of the other, reasonable evidence of payment of any such Taxes or ad valorem obligations or other documentation that is a prerequisite to avoiding payment of a duplicate or inappropriate Tax or other ad valorem obligations.

(B) In the event that any refund, rebate or similar payment is received by INetCo or MCI for any Apportioned Obligations and which payment pertains to the assessment period in which the Closing Date falls, the parties hereto agree that such payment will be apportioned between MCI and INetCo on the basis of each's respective ownership of the taxed asset during the assessment period.

(C) In the event that it is determined subsequent to the Closing Date that additional Apportioned Obligations are required to be paid for the assessment period in which the Effective Time falls, the parties hereto agree that such additional Taxes will be apportioned between MCI and INetCo on the basis of each's respective ownership of the taxed asset during the assessment period.

(D) In the event of a conflict with respect to apportionment of an Apportioned Obligation under this Section 8.3 and a provision of an Ancillary Agreement, the applicable provision of the Ancillary Agreement shall control.

8.4 Cooperation on Tax Matters. (A) Purchaser shall furnish, or cause to be furnished to MCIC, and MCI shall furnish, or cause to be furnished to Purchaser, as promptly as practicable after request therefor, such relevant information as is in the possession of Purchaser, MCI, or any of Purchaser's or MCI's Affiliates, as applicable, and assistance relating to the Transferred Assets or any Assumed Liabilities as is reasonably necessary solely for the preparation and filing of any Tax Return, claim for refund or optional filings relating to Tax matters; for the preparation for any Tax audit or Tax protest; for the prosecution or defense of any suit or other proceeding relating to Tax matters; and for the answer to any Governmental or Regulatory Authority or Tax Authority, as appropriate, inquiry relating to Tax matters.

(B) In furtherance of the foregoing, Purchaser and MCI shall each retain and cause their Affiliates to retain possession of all INetCo-related Tax records and other Tax records related to the Transferred Assets and assumed liabilities in their respective control in existence on the Closing Date for a period of six (6) years from the Closing Date.

(C) The party requesting assistance hereunder shall be responsible for all reasonable out-of-pocket costs of the party providing such assistance.

(D) MCI agrees that all returns and reports of all Taxes, including federal income tax returns, withholding tax returns and declarations of estimated tax and tax reports, required to be filed after the Closing Date by MCI with respect to Taxes that, if unpaid, might result in a lien on any of the Transferred Assets will be duly filed and will be true, correct and complete, and all Taxes payable pursuant thereto will be timely paid.

8.5 Peering Arrangements. Purchaser recognizes that MCI has multiple Peering Arrangements between itself and several WorldCom subsidiaries, and that nothing contained herein to the contrary shall prevent WorldCom from combining such Peering Arrangements, provided that such combinations do not materially and adversely modify the terms, conditions, rights or obligations under such existing Peering Arrangements. MCI will assign its existing Peering Arrangements with WorldCom to INetCo as of the Effective Time, and neither WorldCom nor INetCo will terminate its Peering Arrangement with the other, except for material unremedied default, for a period of five years from the Closing Date. The Peering Arrangement between MCI WorldCom and INetCo will provide for ongoing mutual obligations to maintain efficient and high quality interconnection between the networks, including reasonably required bandwidth upgrades, added connections and added interconnection locations and shall be entered into by the parties in the form attached hereto as Exhibit 8.5. At no point during such five year period may MCI WorldCom's interconnection terms and obligations to INetCo be less favorable than the best interconnection terms offered to any other Internet network to which MCI WorldCom provides interconnection.

8.6 Employees. (A) Purchaser shall continue, or cause INetCo to continue, the employment of each Transferred Employee on terms and conditions no less favorable than those applicable to similarly situated employees of Purchaser, but in any event at a level of salary and bonus opportunity equal to or greater than each Transferred Employee's salary and bonus opportunity from MCI or an Affiliate at the Transfer Time. Purchaser shall provide, or cause INetCo to provide the Transferred Employees past service credit for MCI service for purposes of eligibility and vesting under all applicable benefit and compensation plans of Purchaser, including Purchaser's severance plans.

(B) MCI will reimburse Purchaser promptly after demand therefor for up to Five Million Dollars (\$5,000,000) it pays pursuant to the retention plan developed by Purchaser designed to retain the employment of the Transferred Employees through the date two years after the Closing Date.

(C) If any Employee terminates his or her employment with MCI or an Affiliate prior to the Closing Date or with INetCo or Purchaser on or after the Closing Date, MCI shall have no obligation to provide replacement personnel.

(D) Following the Closing Date, Purchaser shall cause INetCo to make Transferred Employees available to MCI to fulfill any obligations they may have to assist MCI in prosecuting applications for intellectual property rights or protecting such rights, provided that such assistance shall not unreasonably interfere with the performance of such Employee's normal duties.

(E) MCI agrees to discuss with Purchaser prior to the Closing Date any request by Purchaser for additional personnel.

(F) From the date hereof through the Closing Date, each of MCI and WorldCom shall not, and shall cause their Affiliates not to, offer any Designated Employee a new position other than with INetCo.

8.7 Ancillary Agreements. On the date hereof, MCI and INetCo shall enter into the Services Agreements, the Software License Agreement, the Wholesale Internet Service Agreement, and, at Purchaser's option, the Administrative Space Agreement (collectively, the "Ancillary Agreements").

8.8 Reasonable Best Efforts, etc. Upon the terms and subject to the conditions herein provided, each of the parties hereto agrees to use its reasonable best efforts (except that reasonable best efforts shall not apply with respect to (iv) below) to take or cause to be taken all action, to do or cause to be done, and to assist and cooperate with the other parties hereto in doing, all things necessary, proper or advisable under applicable Laws and regulations to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement and the Ancillary Agreements, including (i) the satisfaction of the conditions to the consummation of the transactions contemplated hereby and thereby, (ii) the obtaining, as soon as possible, of all governmental approvals and the making, as soon as possible, of all filings with any Governmental and Regulatory Authority required on the part of

such party to consummate the transactions contemplated hereby and thereby, (iii) assisting all other parties in obtaining, as soon as possible, all governmental approvals and in making, as soon as possible, all filings with any Governmental and Regulatory Authority required on the part of such other party to consummate the transactions contemplated hereby and thereby and (iv) consistent with Section 2.8, both before and after the Effective Time, obtaining from each other party to or holder of each Contract to which it is a party all approvals, consents, waivers, modifications and amendments that may be or reasonably appear to be necessary or desirable to effect the transactions contemplated hereby and thereby.

8.9 Transfer of the Internet Dial-up Business. In the event of a transfer by INetCo of the Internet Dial-up portion of the iMCI Business, Purchaser shall, at its election, either (i) continue to provide the exclusive interface between the transferee and MCI or (ii) take reasonable steps to limit the extent of the additional demands upon MCI as a result of MCI being required to deal with the transferee in addition to INetCo and compensate MCI for its reasonable personnel, facilities and other costs incurred as a result thereof. In the event of such a transfer, notwithstanding anything to the contrary contained herein or in the Collocation Agreement, the transferee shall be required to, and Purchaser shall cause the transferee to, remove Transferred Employees (or their replacement personnel) and Transferred Assets from all MCI premises (other than Collocation Sites (as defined in the Collocation Agreement)) by the earlier of six months from the date of the transfer of the Internet Dial-up business or the termination of INetCo's right to utilize such MCI premises under the Collocation Agreement or the Administrative Space Agreement. In the event of such a transfer by INetCo of the Internet Dial-up business, notwithstanding anything to the contrary contained herein or in the Software License Agreement and without prejudice to the continuing right of INetCo to use the MCI Licensed Software and Agent Software (as defined in the Software License Agreement) in respect of the retained portion of the iMCI Business, MCI shall (x) enter into a license with the transferee for the portions of the MCI Licensed Software and Agent Software applicable to the Internet Dial-up business on the same terms and conditions as the license granted to INetCo under the Software License Agreement or (y) at MCI's election, Purchaser shall cause INetCo to enter into a sublicense for such software on such terms.

8.10 Confidentiality. All documents and information, whether oral or written, concerning MCI, the iMCI Business, the Transferred Assets and the Assumed Liabilities furnished to Purchaser or its Affiliates or Representatives under Section 6.2 or otherwise in connection with the transactions contemplated hereunder shall be considered "Evaluation Material" as defined in the Confidentiality Agreements and shall be held subject to such agreements. The Confidentiality Agreements shall remain in full force and effect pursuant to the terms thereof, notwithstanding the execution and delivery of this Agreement or the termination hereof. Each party shall, and shall cause its officers, employees and representatives to, comply fully with all terms and conditions of the applicable Confidentiality Agreement. No disclosure of this Agreement or the terms hereof shall be made other than in accordance with the terms of such Confidentiality Agreements, provided, however, that the parties may disclose the same to the DoJ, the EC Competition Directorate and other appropriate regulatory agencies. Notwithstanding any other provision hereof or of the Confidentiality Agreements, as of the Effective Time: (i) all documents and information concerning the iMCI Business (including the

Transferred Assets and the Assumed Liabilities) ("iMCI Information") shall be the sole property of INetCo and, except as specifically contemplated by this Agreement and the Ancillary Agreements (including for the provision by MCI to INetCo of services pursuant to the Services Agreements), shall not be used directly or indirectly by MCI, WorldCom or their Affiliates for any competitive or commercial purpose (other than for legitimate administrative purposes, including the preparation of financial reports, accounting purposes, customer complaint management and recordkeeping purposes), and (ii) for purposes of the Confidentiality Agreements, iMCI Information shall be deemed to be the Evaluation Material of INetCo (as Subject Company) provided to MCI or WorldCom, as applicable (as Receiving Company) as if such information were not already in the possession of MCI or WorldCom, and the limitations in the Confidentiality Agreements on the use or disclosure of such Evaluation Material shall apply accordingly. Notwithstanding the Confidentiality Agreements, but subject to the other provisions hereof (including Section 8.13), as of the Effective Time: (x) all documents and information relating to both the iMCI Business (including the Transferred Assets and the Assumed Liabilities) and MCI's other business operations ("Joint Information") shall be the joint property of INetCo and MCI, and (y) for purposes of the Confidentiality Agreements, Joint Information shall be deemed to be the Evaluation Material of each of INetCo and MCI (each as a Subject Company). Nothing in this Section 8.10 shall be construed so as to prevent MCI from using the names and addresses of the Internet Customers which are the subject of the nonsolicitation provisions of Section 8.13 below for marketing purposes once the relevant nonsolicitation period has expired. MCI further undertakes that, for a period of six (6) months, from the Closing Date, it shall not specifically target the Internet Dial-up customers of the iMCI Business (as of the Effective Time) for any marketing activity, provided, however, for the avoidance of doubt, that any marketing campaign targeted to customers to which MCI provides services other than Internet Services shall not be a violation of the foregoing undertaking where such Internet Dial-up customers are also customers to which MCI provides services other than Internet Services.

8.11 Notification of Certain Matters. Each party hereto shall give prompt notice to the other parties of any fact, event or circumstance known to it that is reasonably likely, individually or taken together with other facts, events and circumstances known to it, to result in the breach of any representation, warranty or agreement contained in this Agreement.

8.12 Nonsolicitation of Employees. (A) For a period of one year from the Closing Date, neither MCI, WorldCom nor any of their Affiliates shall hire any Designated Employees without the prior written consent of Purchaser.

(B) From the Acceptance Date through the date two years from the Closing Date, neither MCI, WorldCom nor their Affiliates, on the one hand, nor Purchaser or any of its Affiliates on the other, shall directly solicit for employment any employee of the other or their Affiliates engaged in Internet sales, marketing, engineering, maintenance or operations without such party's prior written consent; provided, however, if any such employee, in an unsolicited manner or in response to a general advertisement, approaches a party for potential employment and is subsequently hired without violating paragraph (A) of this Section 8.12, such actions shall not constitute a breach of this provision.

8.13 Nonsolicitation of Customers. In each case, excepting only Internet Dial-up customers,

(A) From the Closing Date until the relevant date specified below, each of MCI and WorldCom shall not, and shall cause their respective Affiliates not to, solicit or contract to provide Dedicated Internet Access services:

(1) until eighteen (18) months after the Closing Date, to Retail Dedicated Internet Access customers whose Internet Contracts are assigned to INetCo, whether before, at or after the Effective Time;

(2) until eighteen (18) months after the Closing Date, or until after the termination or expiration of the original term of the applicable Internet Contract, whichever is later, to Retail Dedicated Internet Access customers whose Internet Contracts are not assigned to INetCo prior to such termination or expiration; and

(3) until two years after the Closing Date, to ISP customers whose Internet Contracts for Dedicated Internet Access service are in effect immediately prior to the Effective Time.

(B) From the Closing Date until six (6) months after the Closing Date, each of MCI and WorldCom shall not, and shall cause their respective Affiliates not to, solicit Internet Web-hosting or Internet Firewall Services business from any Internet Web-hosting or any Internet Firewall Services customer, respectively, whose Internet Contract is in effect immediately prior to the Effective Time.

(C) WorldCom shall not be prohibited from increasing the amount of business it does with its customers who were Internet customers of WorldCom at the Effective Time as identified on the WorldCom Overlap List (to be prepared in accordance with paragraph (E)). Neither MCI nor WorldCom shall take any steps beyond the ordinary course of business to cause the transfer of any iMCI Business to WorldCom or to "multi-home" such business on WorldCom networks prior to the Closing Date.

(D) Except as otherwise expressly contemplated herein, from the date hereof through the Closing Date, directly or indirectly: (i) MCI shall not, and shall cause its Affiliates not to, provide any information to WorldCom or an affiliate of WorldCom regarding the Internet Customers of MCI and its Affiliates; (ii) WorldCom shall not, and shall cause its Affiliates not to, knowingly obtain from MCI or any Affiliate of MCI, or any Representative, facility or record of MCI or its Affiliates, any information regarding the Internet Customers of MCI and its Affiliates; and (iii) WorldCom shall not, and shall cause its Affiliates not to, use any information regarding the Internet Customers of MCI and its Affiliates obtained from MCI or its Affiliates in the conduct of any Internet business.

(E) (1) MCI delivered to the General Counsel of UUNET Technologies, Inc. (the "UUNET General Counsel") a list of Internet Services customers of MCI, other

than Internet Dial-up customers (the "MCI List"). WorldCom has delivered, and has caused all of the WorldCom Subsidiaries that provide Internet Services to deliver, to the UUNET General Counsel lists of Internet Services customers of such WorldCom Subsidiaries (collectively, the "WorldCom List"). By the Closing, the UUNET General Counsel shall prepare a preliminary list of each customer identified on the MCI List and the WorldCom List (collectively, the "Preliminary WorldCom Overlap List"). At the Closing, the UUNET General Counsel shall provide the Preliminary WorldCom Overlap List simultaneously to each of WorldCom and Purchaser, and such list shall constitute the "WorldCom Overlap List" for purposes of Section 8.13(C) until a final such list is prepared as set forth below. On the Closing Date or as soon thereafter as possible, the UUNET General Counsel shall provide to Deloitte & Touche or such other third party as WorldCom and Purchaser shall mutually agree (Deloitte & Touche or such other third party, the "Third Party") the Preliminary WorldCom Overlap List and copies of all such materials used in the preparation thereof as such Third Party may reasonably request. WorldCom and Purchaser shall direct such Third Party to verify the accuracy and completeness of the lists of customers on the Preliminary WorldCom Overlap List on the basis set forth below.

(2) Within fifteen (15) days following the Closing Date, MCI shall, and WorldCom shall cause MCI to, deliver to the UUNET General Counsel updated lists of Internet Customers as of the Effective Time. Within twenty-five (25) days and, if required due to the timing of order entries with respect to the customers of WorldCom, Inc., sixty (60) days, respectively, following the Closing Date, the UUNET General Counsel shall simultaneously provide to WorldCom, Purchaser and the Third Party an updated list of WorldCom's Subsidiaries' Internet Services customers as of the Effective Time that are also on the updated MCI List (any update, together with the Preliminary WorldCom Overlap List, the "Draft WorldCom Overlap List") together with a copy of all such materials used in the preparation thereof as reasonably requested by the Third Party. The Third Party shall in each instance have ten (10) days to independently verify the accuracy and completeness of the Draft WorldCom Overlap List. If the Third Party disagrees with any entry on the Draft WorldCom Overlap List, WorldCom and the Third Party shall have three (3) Business Days to resolve such disagreement. In each case, at the end of the Third Party's review period and, if applicable, such three-day dispute resolution period, the Third Party shall deliver to MCI WorldCom and Purchaser the Draft WorldCom Overlap List, revised as a result of any dispute, which shall thereafter constitute the "WorldCom Overlap List" for purposes of Section 8.13(C) and shall supersede the Preliminary WorldCom Overlap List and any Draft WorldCom Overlap List. The MCI List, the Preliminary WorldCom Overlap List and any Draft WorldCom Overlap List shall be treated as confidential information by the UUNET General Counsel and shall have been kept in a secure place and shall not have been made available prior to the Closing to any Person outside the office of the UUNET General Counsel, except in accordance with the procedures identified in Schedule 8.13(E). At Closing, WorldCom and the UUNET General Counsel shall provide Purchaser

with a certificate attesting (in the case of the UUNET General Counsel, to the best of her knowledge) to compliance with the requirements of the preceding sentence. The Preliminary WorldCom Overlap List, any Draft WorldCom Overlap List and the WorldCom Overlap List shall not be disclosed to any Person other than MCI, WorldCom, Purchaser, C&W or the Third Party except as may be required by Law. Each party shall bear its own expenses in connection with the implementation of this Section 8.13(E), except that the fees and expenses of the Third Party shall be borne equally by MCI and Purchaser.

(F) The non-solicitation provisions in paragraphs (A) and (B) above shall be strictly limited to the provision of the Internet Services specified above and shall not restrict MCI or WorldCom from soliciting or expanding any other business with such customers or from entering the Internet business or soliciting customers who are not party to an Internet Contract at the Effective Time. Nothing in this Section 8.13 shall (i) prohibit MCI from constructing or obtaining facilities competitive with those of Purchaser or resuming business operations as a provider of Dedicated Internet Access services, Internet Dial-up services, Internet Web-hosting services or Internet Firewall Services, subject to the foregoing non-solicitation obligations, or (ii) limit MCI's obligations under Section 6.1.

(G) For the avoidance of doubt, the non-solicitation provisions contained in this Section 8.13 shall be strictly limited to the Internet Services and Internet Customers specified above and shall not restrict MCI, WorldCom or any of their Affiliates from soliciting, contracting with or expanding any business with any Internet Dial-up Customer.

8.14 Nondisparagement. For a period of six (6) months from the Closing Date, neither MCI nor WorldCom nor any of their Affiliates shall make a statement, written or oral, denigrating or otherwise suggesting the quality, service or other operational characteristics of Purchaser's Internet business are less than industry standard or the level previously provided by MCI. Neither MCI, WorldCom nor their Affiliates, on the one hand, nor Purchaser or its Affiliates, on the other, shall make any statement relating to the value of the iMCI Business compared to the Purchase Price.

8.15 No Shop. (A) Unless notice of termination of this Agreement has been given pursuant to Article 10, each of MCI and WorldCom shall not, and shall cause their Representatives or Affiliates not to, solicit, review or accept any offers or proposals for, enter into any agreement or engage in any discussion with respect to, or provide to any Person other than a Governmental or Regulatory Authority information regarding, the sale of all or a portion of the iMCI Business. Once notice of termination of this Agreement has been given pursuant to Article 10, MCI, WorldCom and any of their Representatives or Affiliates may solicit, review or accept any offers or proposals for, enter into any agreement or engage in any discussion with respect to, or provide to any Person information regarding, the sale of all or a portion of the iMCI Business.

(B) If, prior to the giving of notice of termination of this Agreement pursuant to Article 10, MCI or WorldCom or any of their Representatives or Affiliates solicits, reviews or accepts any offer or proposal for, enters into any agreement or engages in any discussion with respect to, or provides to any Person other than a Governmental or Regulatory Authority information regarding, the sale of all or a portion of the iMCI Business, Purchaser shall have the option of terminating this Agreement pursuant to Section 10.1(E) or seeking injunctive relief pursuant to Section 12.7 (which shall not foreclose Purchaser from terminating this Agreement pursuant to Section 10.1(E) if such injunctive relief is not available).

8.16 Deliveries. (A) On the Closing Date, MCI shall deliver to Purchaser any amendment or supplement to any Schedule hereto with respect to any matter arising after the date hereof but prior to the Transfer Time that, if existing or occurring at or prior to the date hereof would have been required to be set forth in any such Schedule or that is necessary to correct any information therein rendered inaccurate thereby.

(B) Within fifteen (15) days of the Closing Date, and thereafter as deemed necessary by MCI, MCI shall deliver to Purchaser amendments or supplements to all Schedules referred to in Article 2 relating to the Transferred Assets, with respect to any matter arising on or after the date hereof but prior to the Effective Time that, if existing or occurring at or prior to the date hereof would have been required to be set forth in any such Schedule or that is necessary to correct any information therein rendered inaccurate thereby. Purchaser shall use reasonable efforts to cooperate with MCI in the preparation of such Schedule amendments or supplements.

(C) Except for amendments or supplements to the Schedules referred to in Section 2.2 and to Schedules 4.7 and 4.18(C), no amendment or supplement to any Schedule delivered by MCI to Purchaser shall be considered in determining the accuracy of any representation or warranty contained in this Agreement for purposes of Article 11. Each of the representations and warranties of each party shall be true and correct as of the date hereof and as of the Effective Time with the same effect as if made on the Effective Time, except for any such representation and warranty made as of a specified date, which shall be true and correct as of such date.

(D) If either MCI or WorldCom, on the one hand, or Purchaser, C&W or INetCo, on the other, shall discover, within sixty (60) days of the Closing Date, that an Internet Customer listed on a Schedule to this Agreement as an ISP, a Retail Dedicated Access customer, an Internet Web-hosting customer or an Internet Firewall Services customer has been incorrectly classified as such, the party shall promptly notify the others of such misclassification, the basis for this belief and shall indicate the proper classification of such Internet Customer. The parties receiving the notice shall have fifteen (15) days from receipt thereof to object to the reclassification, in which case the parties shall work together in good faith to determine the proper classification through review of customer billing history. If no objection is raised, or once the parties have

jointly determined the classification, that Internet Customer shall be deemed to be reclassified as set forth in such notice for purposes of Section 8.13.

8.17 Obligations of the Parties and INetCo. Prior to the Closing Date, MCI shall cause INetCo to perform its obligations contemplated by this Agreement and the Ancillary Agreements. On and after the Closing Date, Purchaser shall cause INetCo to perform its obligations contemplated by this Agreement and the Ancillary Agreements, and C&W shall cause each of Purchaser and INetCo to perform its obligations contemplated by this Agreement and the Ancillary Agreements. On and after the Closing Date, WorldCom shall cause MCI to perform its obligations contemplated by this Agreement and the Ancillary Agreements. On the Closing Date, C&W and WorldCom shall execute acknowledgments to each of the Ancillary Agreements confirming their respective obligations in the second and third sentences of this Section 8.17

ARTICLE 9 – CONDITIONS PRECEDENT TO CLOSING

9.1 Condition Precedent to MCI's Obligation. MCI's obligation to sell the Shares and to take the other actions required to be taken by MCI at the Closing is subject to the satisfaction or waiver of all conditions precedent to the proposed merger of MCIC and WorldCom and the receipt by the parties thereto of all material consents, authorizations and approvals from, and all material declarations, filings and registrations with, Governmental or Regulatory Authorities or third parties required to consummate the transactions contemplated thereby, including approvals of the DoJ, the EC and the FCC and the entry of any required consent decree.

9.2 Conditions Precedent to the Parties' Obligations. (A) Approvals and Filing. The waiting period under the HSR Act shall have expired or been terminated and all other material consents, authorizations and approvals from, and all material declarations, filings and registrations with, Governmental or Regulatory Authorities or third parties required to consummate the transactions contemplated hereby shall have been obtained or made and shall remain in full force and effect.

(B) Orders and Laws. There shall not be in effect on the Closing Date any Order or Law restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement.

ARTICLE 10 – TERMINATION

10.1 Termination. This Agreement may be terminated, and the transactions contemplated hereby may be abandoned at any time before the Closing:

(A) by mutual written agreement of MCI, WorldCom, Purchaser and C&W;

(B) unless extended by mutual written agreement of MCI, WorldCom, Purchaser and C&W, by MCI or Purchaser if the Closing shall not have occurred by December 31, 1998, except to the extent that the failure to consummate the transactions contemplated hereby arises out of or results from the knowing action or inaction in bad faith of the party seeking to terminate pursuant to this Section 10.1(B);

(C) by MCI, in writing, if Purchaser enters into or announces a Prohibited Transaction with GTE or Sprint prior to the Closing Date, subject to Section 10.2 (B);

(D) by Purchaser, in writing, if MCI or WorldCom or any of their representatives or Affiliates solicits, reviews or accepts any offer or proposal for, enters into any agreement or engages in any discussion with respect to, or provides to any Person other than a Governmental or Regulatory Authority information regarding, the sale of all or a portion of the iMCI Business, provided that press releases and announcements made in accordance with Section 12.10 shall not be deemed to violate this Section 10.1(D);

(E) by either MCI or Purchaser in writing accompanied by evidence of payment of the Break-up Fee pursuant to Section 10.2(D);

(F) by MCI if any of the conditions set forth in Sections 9.1 or 9.2 shall have become incapable of fulfillment;

(G) by Purchaser if any of the conditions set forth in Section 9.2 shall have become incapable of fulfillment;

(H) by Purchaser or MCI, in writing, in the event that all of the conditions precedent to consummation of the transactions contemplated hereby have been satisfied or waived (other than conditions which are dependent upon the consummation of such transactions or otherwise dependent upon performance by a party that is unwilling or unable to perform), and either MCI or Purchaser, as the case may be, refuses or is unable to consummate such transactions within two (2) Business Days after the Closing Date set forth in the notice delivered to Purchaser pursuant to Section 2.9; or

(I) upon the occurrence of such other events as the parties may mutually agree in writing.

10.2 Procedure Upon Termination. (A) In the event of termination and abandonment by MCI, WorldCom, or Purchaser, pursuant to Section 10.1(A), (B), (F), or (G), written notice thereof shall forthwith be given to the other parties and this Agreement shall terminate and be abandoned without further action by MCI, WorldCom, Purchaser or C&W and no party hereto shall have any liability or further obligation to any other party to this Agreement, except as provided in Section 8.10 with respect to the Confidentiality Agreements (which shall survive the termination of this Agreement), and Section 12.6, and except for such legal and equitable rights and remedies which any party may have by reason of any breach or violation of this Agreement by any other party.

(B) In the event of a termination and abandonment by MCI pursuant to Section 10.1(C), Purchaser shall immediately pay to MCI the Break-up Fee, as liquidated damages and not as a penalty, after which no party hereto shall have any liability or further obligation to any other party to this Agreement, except as provided in Section 8.10 with respect to the Confidentiality Agreements (which shall survive the termination of this Agreement).

(C) In the event of a termination and abandonment by Purchaser pursuant to Section 10.1(D), MCI shall immediately pay to Purchaser the Break-up Fee as liquidated damages and not as a penalty, after which no party hereto shall have any liability or further obligation to any other party to this Agreement, except as provided in Section 8.10 with respect to the Confidentiality Agreements (which shall survive the termination of this Agreement).

(D) In the event of a termination and abandonment by MCI or Purchaser, as the case may be, pursuant to Section 10.1(E), the terminating party shall prior to or concurrent with the notice of termination pay to the other the Break-up Fee as liquidated damages and not as a penalty, after which no party hereto shall have any liability or further obligation to any other party to this Agreement, except as provided in Section 8.10 with respect to the Confidentiality Agreements (which shall survive the termination of this Agreement).

(E) In the event of a termination and abandonment by MCI or Purchaser, as the case may be, pursuant to Section 10.1(H), the party which refuses or is unable to consummate the transactions contemplated hereby shall pay to the other the Break-up Fee as liquidated damages and not as a penalty, after which no party hereto shall have any liability or further obligation to any other party to this Agreement, except as provided in Section 8.10 with respect to the Confidentiality Agreements (which shall survive the termination of this Agreement).

(F) The break-up fee (the "Break-up Fee") shall be Two Hundred Sixty-Two Million Five Hundred Thousand Dollars (\$262,500,000).

(G) If this Agreement is terminated, each party will redeliver as soon as possible, and in any event within thirty (30) days, all documents, work papers and other material of any other party relating to the transactions contemplated hereby, whether obtained before or after the execution hereof and whether or not pursuant to the Confidentiality Agreements, to the parties furnishing the same.

(H) No party shall have a right to terminate this Agreement or delay the Closing on the basis that one or more representations or warranties of another party are not true and correct prior to or at Closing but shall only be entitled to its remedies pursuant to Article 11.

ARTICLE 11 – INDEMNIFICATION; REMEDIES

11.1 Survival of Representations and Warranties. The respective representations and warranties of the parties contained herein or in any certificate or other document delivered prior to or at the Closing pursuant to this Agreement shall survive for a period of two years after the Closing Date except (A) for claims made pursuant to this Article 11 during the period of survival of any representation and warranty, which claims and the provisions of Article 11 shall survive until the liability is finally determined, (B) for the representations and warranties of the parties under Sections 3.4, 4.21 and 5.7, which representations and warranties shall survive until sixty (60) days after the end of the relevant limitations period, and (C) for the representations and warranties of MCI contained in Section 4.8, which representations and warranties shall survive for a period of six years after the Closing Date (each such date being a “Cut-Off Date”). Thereafter, no party shall be under any liability whatsoever with respect to any such representation or warranty.

11.2 Indemnification. (A) Subject to paragraphs (C), (D), (G) and (H) of this Section 11.2 and the other Sections of this Article 11, MCI and WorldCom, jointly and severally, shall indemnify Purchaser and C&W and their respective officers, directors, employees and Affiliates in respect of, and hold each of them harmless from and against, any and all Losses suffered, incurred or sustained by any of them or to which any of them becomes subject, resulting from or arising out of:

(i) any Third Party Claims arising out of the operation of the iMCI Business prior to the Effective Time or the performance or non-performance by MCI of its obligations under the Assigned Contracts, the Nonassigned Contracts or the Internet Permits prior to the Effective Time;

(ii) any claim of any employee of the iMCI Business arising out of or relating to his or her employment by MCI or its Affiliates prior to the Effective Time;

(iii) any breach or alleged breach of a representation or warranty of MCI or WorldCom contained in this Agreement;

(iv) any non-fulfillment or alleged non-fulfillment of, or failure to perform or alleged failure to perform, any agreement or covenant on the part of MCI or WorldCom contained in this Agreement; and

(v) any liabilities of MCI, any of MCI's Affiliates or, before the Effective Time, of INetCo other than the Assumed Liabilities.

(B) Subject to paragraphs (C), (D), (G) and (H) of this Section 11.2. and the other Sections of this Article 11, Purchaser and C&W, jointly and severally, shall indemnify MCI and WorldCom and their respective officers, directors, employees and Affiliates in respect of, and hold each of them harmless from and against, any and all

Losses suffered, incurred or sustained by any of them or to which any of them becomes subject, resulting from or arising out of

(i) any Third Party Claims arising out of (x) the operation of the iMCI Business after the Effective Time, (y) the performance or non-performance by INetCo of its obligations under the Assigned Contracts after the Effective Time, and (z) subject to receipt of revenues pursuant to Section 2.8(C)(3)(b), the performance or non-performance by INetCo, as contemplated by Section 2.8(C)(3)(a), of MCI's obligations under the Nonassigned Contracts, unless such performance or non-performance was attributable to actions or inactions of MCI or any of its Affiliates;

(ii) any claim of any Transferred Employee arising out of or relating to their employment by INetCo or its Affiliates after the Effective Time;

(iii) any breach or alleged breach of a representation or warranty of Purchaser or C&W contained in this Agreement; and

(iv) any non-fulfillment or alleged non-fulfillment of, or failure to perform or alleged failure to perform, any agreement or covenant on the part of Purchaser or C&W contained in this Agreement.

(C) An Indemnified Party shall provide the Indemnifying Party with a Claim Notice or Indemnity Notice, as the case may be, with respect to such claim, setting forth in reasonable detail the specific facts and circumstances pertaining to such claim as soon as reasonably practicable following the time at which the Indemnified Party discovered such claim and in any event, with respect to a Claim for a breach of a representation or warranty, prior to the Cut-Off Date.

(D) Notwithstanding anything to the contrary contained in this Agreement:

(i) the individual amount of any one claim for a Loss must exceed \$100,000 in order for the party suffering such Loss to be entitled to assert a claim for indemnification hereunder in respect of such Loss. The sum of all Losses by any party must exceed \$1,000,000 in the aggregate at any one time before such party shall be entitled to assert a claim for indemnification hereunder;

(ii) the aggregate liability of MCI and WorldCom pursuant to Section 11.2(A)(iii) of this Agreement, Sections 10(b) and (c) of the Master Agreement, Section 8(b) of the Wholesale Internet Service Agreement, and Section 8.1 of the Software License Agreement shall in no event exceed \$875,000,000, and the aggregate liability of Purchaser and C&W pursuant to Section 11.2(B)(iii) of this Agreement, Section 10(b) of the Master Agreement and Sections 8(a) and (b) of the Wholesale Internet Service Agreement shall in no event exceed \$875,000,000; and

(iii) any indemnity payable in respect of a Loss shall be reduced to the extent that the Indemnifying Party can demonstrate that it was prejudiced by the Indemnified Party's failure to provide a Claim Notice or Indemnity Notice in accordance with paragraph (C) above (but any such reductions shall apply only with respect to the additional amount of Loss resulting from such failure).

The foregoing limits in this paragraph (D) shall not apply to Losses arising from breach of the provisions of Section 4.14. Any reduction in the amount of Loss pursuant to Sections 11.2(G) or (H) hereof shall not be taken into account for purposes of determining compliance with amounts set forth in this paragraph (D)(i) and (D)(ii).

(E) The remedies provided in this Section 11.2 shall be the exclusive remedies after the Effective Time, except for claims of fraud, of the Indemnified Parties with respect to any Losses relating to or arising from a breach of the representations and warranties contained in this Agreement.

(F) The parties agree that any payment pursuant to this Section 11.2 shall be treated by the parties as an adjustment to the Purchase Price for Tax purposes.

(G) If the amount of any Loss shall, at any time prior or subsequent to the payment required by this Article 11, be reduced by any third party reimbursements or other payments received with respect to such Loss, including insurance proceeds, the amount of such reduction, less any expenses incurred in connection therewith, shall promptly be (i) deducted from the amount to be paid by the Indemnifying Party to the Indemnified Party or (ii) repaid by the Indemnified Party to the Indemnifying Party as applicable; provided, that nothing in this paragraph (G) shall require the Indemnified Party to seek any such reduction or make any claim for insurance proceeds, and provided further, that the amount so deducted or repaid shall not exceed the amount to be paid by the Indemnifying Party to the Indemnified Party.

(H) If the Amount of any Loss shall, at any time prior to or subsequent to the payment required by this Article 11, be reduced by any actually realized reduction in Tax liability, the amount of such reduction, less any expenses incurred in connection therewith, shall promptly be (i) deducted from the amount to be paid by the Indemnifying Party to the Indemnified Party or (ii) repaid by the Indemnified Party to the Indemnifying Party, as applicable; provided, that nothing in this paragraph (H) shall require the Indemnified Party to seek any such reduction, and provided further, that the amount so deducted or repaid shall not exceed the amount to be paid by the Indemnifying Party to the Indemnified Party.

11.3 Method of Asserting Claims. All claims for indemnification by any Indemnified Party under Section 11.2 will be asserted and resolved as follows:

(A) In the event any claim or demand in respect of which an Indemnified Party might seek indemnity under Section 11.2 is asserted against or sought to be collected from such Indemnified Party by a Person other than MCI, WorldCom, Purchaser or C&W

or any Affiliate of MCI, WorldCom, Purchaser or C&W (a "Third Party Claim"), the Indemnified Party shall deliver a Claim Notice to the Indemnifying Party in accordance with Section 11.2(C). The Indemnifying Party will notify the Indemnified Party within the Dispute Period whether the Indemnifying Party disputes its liability to the Indemnified Party under Section 11.2 and whether the Indemnifying Party desires, at its sole cost and expense, to defend the Indemnified Party against such Third Party Claim.

(1) If the Indemnifying Party notifies the Indemnified Party within the Dispute Period that the Indemnifying Party desires to defend the Indemnified Party with respect to the Third Party Claim pursuant to this Section 11.3(A), and provided that the Indemnifying Party delivers to the Indemnified Party a written instrument setting forth the Indemnifying Party's irrevocable agreement to indemnify the Indemnified Party for any judgment or other Loss in connection with such Third Party Claim (an "Acknowledgment"), then the Indemnifying Party will have the right to defend, utilizing outside counsel, at the sole cost and expense of the Indemnifying Party, such Third Party Claim by all appropriate proceedings, which proceedings will be vigorously and diligently prosecuted by the Indemnifying Party to a final conclusion or will be settled at the discretion of the Indemnifying Party, provided, that the Indemnifying Party will not agree to any settlement without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld) unless such settlement (x) requires no more than a monetary payment for which the Indemnifying Party has irrevocably agreed to indemnify any Indemnified Party hereunder, (y) includes a full, unconditional and complete release of the Indemnified Party and (z) will not adversely affect the ongoing operation of the Indemnified Party's business.

(2) Notwithstanding an election by the Indemnifying Party to assume the defense of such action or proceeding, the Indemnified Party shall have the right to employ separate counsel and to participate in the defense of such action or proceeding, and the Indemnifying Party shall bear the reasonable fees, costs and expenses of such separate counsel (and shall pay such fees, costs and expenses at least quarterly), if (i) the use of counsel chosen by the Indemnifying Party to represent such Indemnified Party would present such counsel with a conflict of interest under applicable standards of professional conduct in the reasonable professional judgment of such counsel; (ii) the defendants in, or targets of, any such action or proceeding include both an Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have reasonably concluded that there may be reasonable legal defenses available to it or to other indemnified persons that are different from or additional to those available to the Indemnifying Party which the Indemnifying Party's counsel refuses to set forth adequately (in which case the Indemnifying Party shall not have the right to direct the defense of such action or proceeding on behalf of the Indemnified Party, provided that the Indemnified Party shall not agree to any settlement without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld)); or (iii) the Indemnifying Party shall authorize such Indemnified Party

to employ separate counsel at the Indemnifying Party's expense. All costs and expenses incurred in connection with an Indemnified Party's cooperation shall be borne by the Indemnifying Party. In any event, the Indemnified Party and its counsel may participate in, but not control, any defense or settlement of a claim controlled by the Indemnifying Party pursuant to Section 11.3(A)(1) at such Indemnified Party's own expense.

(3) Notwithstanding the foregoing, the Indemnified Party may take over the control of the defense or settlement of a Third Party Claim at any time if it irrevocably waives its right to indemnity under Section 11.2 with respect to such Third Party Claim. The Indemnified Party and the Indemnifying Party will cause their respective legal counsel to provide reasonable cooperation to the other and its legal counsel in connection with the other's controlling or assuming the defense of any Third Party Claim, including by furnishing all papers served in such proceeding.

(4) If the Indemnifying Party fails to notify the Indemnified Party within the Dispute Period that the Indemnifying Party desires to defend the Third Party Claim pursuant to Section 11.3(A)(1) (including by providing an Acknowledgment), or if the Indemnifying Party fails to give any notice whatsoever within the Dispute Period, then the Indemnified Party will have the right to defend the Third Party Claim by all appropriate proceedings, which proceedings will be vigorously and diligently prosecuted by the Indemnified Party to a final conclusion or will be settled at the discretion of the Indemnified Party; provided, that if the Indemnifying Party is not defending but has delivered to the Indemnified Party an Acknowledgment, the Indemnified Party will not agree to any settlement without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld) unless the Indemnified Party irrevocably waives its right to indemnity under this Agreement with respect to such settlement. The Indemnifying Party may participate in, but not control, any defense or settlement controlled by the Indemnified Party pursuant to this Section 11.3(A)(4), and the Indemnifying Party will bear its own costs and expenses with respect to such participation. The Indemnifying Party will, and will cause its legal counsel to, provide reasonable cooperation to the Indemnified Party and its legal counsel in connection with the defense of any claim as to which the Indemnifying Party has not assumed the defense. In any event, the Indemnified Party will keep the Indemnifying Party reasonably informed as to the status of the defense of any claim as to which the Indemnifying Party has not assumed the defense.

(5) If the Indemnifying Party notifies the Indemnified Party that it does not dispute its liability to the Indemnified Party with respect to the Third Party Claim under Section 11.2 or fails to notify the Indemnified Party within the Dispute Period whether the Indemnifying Party disputes its liability to the Indemnified Party with respect to such Third Party Claim, the Indemnifying Party shall be deemed to have waived any rights to dispute its liability to indemnify and

hold harmless the Indemnified Party with respect to such claim and the Indemnifying Party shall pay any Loss to the Indemnified Party on demand following the time that the amount of such liability is finally determined. If the Indemnifying Party has disputed its liability with respect to such claim within the Dispute Period, the Indemnifying Party and the Indemnified Party will proceed in good faith to negotiate a resolution of such dispute, and if not resolved through negotiations within the Resolution Period, the parties shall attempt to resolve such dispute by mediation, or if mediation is unsuccessful, by binding arbitration.

(B) In the event any Indemnified Party should have a claim under Section 11.2 against any Indemnifying Party that does not involve a Third Party Claim, the Indemnified Party shall deliver an Indemnity Notice to the Indemnifying Party in accordance with Section 11.2(C). If the Indemnifying Party notifies the Indemnified Party that it does not dispute the claim described in such Indemnity Notice or fails to notify the Indemnified Party within the Dispute Period whether the Indemnifying Party disputes the claim described in such Indemnity Notice, the Indemnifying Party shall be deemed to have waived any rights to dispute its liability to indemnify and shall hold harmless the Indemnified Party with respect to such claim and the Indemnifying Party shall pay the amount of such Loss to the Indemnified Party on demand following the time that the amount of such liability is finally determined. If the Indemnifying Party has disputed its liability with respect to such claim within the Dispute Period, the Indemnifying Party and the Indemnified Party will proceed in good faith to negotiate a resolution of such dispute, without prejudice to any rights or remedies of any such party hereunder or at law or in equity.

(C) In the event of any Loss resulting from a breach of a representation or warranty or nonfulfillment or failure to be performed of any covenant or agreement contained in this Agreement as to which an Indemnified Party would be entitled to claim indemnity under Section 11.2 but for the provisions of Section 11.2 (D)(i), such Indemnified Party shall nevertheless deliver a written notice to the Indemnifying Party containing the information that would be required in a Claim Notice or an Indemnity Notice, as applicable, with respect to such Loss. In the case of a Claim Notice, the provisions of Section 11.3(A)(1) will be applicable. If the Indemnifying Party notifies the Indemnified Party that it does not dispute the claim described therein or fails to notify the Indemnified Party within the Dispute Period whether the Indemnifying Party disputes the claim described in such Claim Notice or Indemnity Notice, as the case may be, the Loss specified in the notice will be conclusively deemed to have been incurred by the Indemnified Party for purposes of making the determination set forth in Section 11.2(D)(1). If the Indemnifying Party has timely disputed the claim described in such Claim Notice or Indemnity Notice, as the case may be, the Indemnifying Party and the Indemnified Party will proceed in good faith to negotiate a resolution of such dispute, without prejudice to any rights or remedies of any such party hereunder or at law or in equity.

(D) In the event of any claim for indemnity under Section 11.2(A), Purchaser agrees to give MCI, WorldCom and their representatives reasonable access to the business, books and records or the iMCI Business and the Transferred Employees in connection with the matters for which indemnification is sought to the extent MCI and WorldCom reasonably deem necessary in connection with their rights and obligations under this Article 11.

(E) An Indemnified Party shall be obligated, subject to its reasonable business needs and the provisions hereof, to use reasonable efforts to minimize the indemnification sought from the Indemnifying Party under Section 11.2.

11.4 Purchase Price Adjustment. (A) In the event C&W or Purchaser discovers or becomes aware of a breach of any representation or warranty of MCI or WorldCom prior to the Effective Time (a "Pre-Closing Breach"), it shall, pursuant to Section 8.11, promptly notify MCI and WorldCom in reasonably sufficient detail of the nature of such breach and the amount of its claim related thereto. MCI or WorldCom, as the case may be, shall have a reasonable amount of time to attempt to cure such breach. Notwithstanding any such claim, the transactions contemplated hereby shall proceed to Closing in accordance with the terms of this Agreement. If MCI or WorldCom, as appropriate, elects not to cure, or if such breach cannot be cured within a reasonable amount of time, the claim for the Pre-Closing Breach shall be resolved after the Closing Date. The Closing shall in no way affect the rights of C&W or Purchaser with respect to a Pre-Closing Breach whether discovered before or after the Effective Time.

(B) C&W and Purchaser, on the one hand, and MCI and WorldCom, on the other hand, agree to negotiate in good faith to resolve any dispute with respect to a claim for a Pre-Closing Breach within sixty (60) days of the Closing Date.

(C) Any payments made pursuant to this Section 11.4 shall be payable in cash or by wire transfer of immediately available funds within five Business Days of the resolution of the claim and shall bear interest at the Federal Funds Rate from the Closing Date to the date of payment. The parties agree that any payment pursuant to this Section 11.4 shall be treated by the parties as an adjustment to the Purchase Price for Tax purposes.

(D) No payment in respect of a claim under this Section 11.4 shall be subject to the limitations set forth in Section 11.2(D)(i) or (ii). The provisions of this Section 11.4 shall be without prejudice to any other rights or remedies available to C&W or Purchaser hereunder or at law or in equity.

11.5 Other Matters. Notwithstanding any other provision of this Agreement or any Ancillary Agreement:

(A) Any claim for indemnification for a Loss arising out of or related to services provided or to be provided under the Master Agreement or the Wholesale Internet Service Agreement, respectively, shall be brought under, and subject to the terms and conditions of, such Agreement.

(B) Any claim for indemnification for infringement or misappropriation with respect to the intellectual property which is the subject of the Software License Agreement shall be brought under, and subject to the terms and conditions of, such Agreement.

(C) Any claim for indemnification under this Agreement shall be brought under, and subject to the terms and conditions of, this Agreement.

(D) To the extent any party to any such Agreement is indemnified for a Loss under any of this Agreement or the Ancillary Agreements, such party shall not be entitled to indemnification for such Loss under any other such Agreements.

ARTICLE 12 – GENERAL PROVISIONS

12.1 Amendment or Supplement. This Agreement may be amended or supplemented at any time by mutual agreement of the parties hereto. Any such amendment or supplement must be in writing and approved by all necessary corporate action.

12.2 Waiver of Compliance. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by Law or otherwise afforded, will be cumulative and not alternative.

12.3 Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or telecopier (with confirming receipt):

If to Purchaser:

124 Theobalds Road
London WC1X 8RX
United Kingdom
Fax: 011-44-171-315-5051
Attn: Company Secretary

with a copy to:

Cleary, Gottlieb, Steen & Hamilton
2000 Pennsylvania Avenue, N.W.
Washington, D.C. 20006-1801
Fax: 202-974-1999

Attn: John C. Murphy, Jr.

or to such other person or address as Purchaser shall designate to MCI and WorldCom in writing.

If to WorldCom:

WorldCom, Inc.
515 East Amite Street
Jackson, MS 39201-2702
Fax: (601) 360-8615
Attn: Charles T. Cannada

or to such other person or address as WorldCom shall designate to Purchaser in writing.

If to MCI:

MCI Telecommunications Corporation
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
Fax: (202) 887-3353
Attention: General Counsel

or to such other person or address as MCI shall designate to Purchaser in writing.

12.4 Binding Nature: Assignment. (A) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by Purchaser prior to Closing without prior written consent of the other parties; provided, however, that Purchaser may assign all or any part of its rights under this Agreement and delegate all or any part of its obligations to a corporation, partnership, limited liability company or other entity the majority of the capital stock or equity interests of which is owned by C&W (each a "Subsidiary"), in which event all of the rights and powers of Purchaser and remedies available to it hereunder shall extend to and be enforceable by each such Subsidiary and C&W shall cause each such Subsidiary to agree to be bound to this Agreement; provided, further, however, that notwithstanding anything contained in this Agreement to the contrary, in the event of any such assignment or delegation, Cable & Wireless shall remain the primary obligor with respect to payment obligations and shall remain liable for all other obligations of Purchaser hereunder and INetCo, after the Effective Time, under the Ancillary Agreements.

(B) After the Closing, Purchaser may, subject to Section 7.2 hereof, transfer its rights hereunder and in the iMCI Business, or all or a portion of the Internet Dial-up business, in each case to no more than one transferee, so long as the transferee agrees to be bound by the terms and conditions of this Agreement and the Ancillary Agreements, provided, that notwithstanding anything contained in this Agreement to the contrary, in the event of any such transfer, C&W shall remain liable for the obligations of such transferee pursuant to this Agreement and the Ancillary Agreements.

(C) Nothing contained herein, express or implied, is intended to confer on any Person other than the parties hereto, their successors and assigns or any Person entitled to indemnity under Article 11, any rights, remedies, obligations or liabilities under or by reason of this Agreement. Except as otherwise expressly provided herein, nothing contained herein shall be deemed to give rise to any personal obligation of any of the directors, officers, stockholders or principals of any of the parties hereto, by reason of any breach or violation of any of the provisions hereof or otherwise, and no party hereto shall have any rights against, or be entitled to sue or seek any recovery from, any such Persons.

12.5 Entire Agreement. This Agreement and the Confidentiality Agreements (as modified hereby) contain the entire Agreement between the parties with respect to the transactions contemplated hereunder and thereunder and supersede all prior arrangements or understandings with respect thereto, written or oral (including the Term Sheet and the Letter Agreement). The parties hereto in executing and delivering, and in carrying out the provisions of, this Agreement are relying solely on the representations, warranties and covenants contained in this Agreement or in any writing delivered pursuant to provisions of this Agreement, and not upon any representation, warranty, covenant, or information, written or oral, made by any Person other than as specifically set forth herein or therein. The inclusion of any matter in information set forth in the Schedules attached hereto shall not be deemed an admission or otherwise to imply that any such matter is material for purposes of this Agreement.

12.6 Expenses. Except as otherwise expressly provided herein, each party to this Agreement will pay its own expenses in connection with the negotiation of this Agreement, the performance of its obligations hereunder, and the consummation of the transactions contemplated herein. For the avoidance of doubt, except as provided in Section 8.2, neither Purchaser nor INetCo shall bear any such expenses of MCI or WorldCom.

12.7 Specific Performance. The parties acknowledge that the transactions contemplated hereby are unique and that a breach of this Agreement will result in irreparable injury to the other parties hereto for which monetary damages alone would not be an adequate remedy. Therefore, the parties agree that in the event of a breach or threatened breach of this Agreement, the other parties hereto shall be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach or anticipated breach without the necessity of posting a bond. Any such relief shall be in addition to and not in lieu of any appropriate relief in the way of monetary damages.

12.8 Consequential Damages. Consequential or special damages may be sought for alleged breaches of this Agreement (excluding the Exhibits, except as provided or permitted therein), provided, however, that all claims for consequential or special damages must be based on breaches alleged to have occurred during the period from the date hereof to the date twenty-four (24) months after the Closing Date, irrespective of the provisions of any applicable statute of limitations.

12.9 Further Assurances. Subject to the terms and conditions of this Agreement, at any time or from time to time after the Closing each party hereto shall execute and deliver such other

documents and instruments, provide such materials and information and take such other actions as may reasonably be necessary, proper or advisable, to the extent permitted by Law, to fulfill its obligations under this Agreement and the Ancillary Agreements to which it is a party.

12.10 Press Releases and Announcements. No announcements will be made prior to the Closing Date without the other parties' consent, and the parties hereto shall agree with each other as to the form and substance of any press release or response to press inquiry related to this Agreement and the transactions contemplated hereby, and shall consult each other as to the form and substance of other public disclosures related thereto, provided, however, that nothing contained herein shall prohibit any party, following notification to the other parties, from making any disclosure which its counsel deems necessary.

12.11 Governing Law. This Agreement and the legal relations between the parties hereto shall be governed by and construed in accordance with the Laws of the State of New York, without reference to conflict of law provisions.

12.12 Jurisdiction. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of any federal court in the State of Delaware, or, to the extent federal jurisdiction is not available, any state court in the State of Delaware, in respect of any action arising out of or based upon this Agreement and irrevocably waives any objection which it may now or hereafter have to the laying of venue of any such action in any such court.

12.13 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated herein is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner.

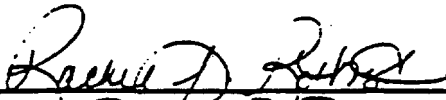
12.14 Headings. The headings contained in this Agreement are inserted for convenience only and shall not constitute a part hereof.

12.15 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

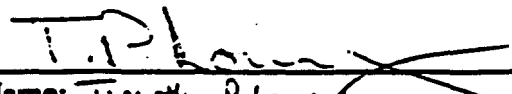
12.16 Bulk Transfer Laws. MCI and Purchaser hereby waive compliance with the provisions of applicable bulk transfer laws, if any, in connection with the transfer of the Transferred Assets to INetCo and the sale of INetCo to Purchaser. Without prejudice and subject to the provisions of this Agreement and the Ancillary Agreements with respect to Taxes, MCI agrees to (i) bear all costs and expenses associated with any and all Losses that Purchaser may incur as a consequence of any such laws and (ii) indemnify INetCo and Purchaser and hold INetCo and Purchaser harmless against any financial liability incurred by INetCo and Purchaser arising out of or relating to any such matter.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.


CABLE & WIRELESS INTERNET HOLDINGS, INC.

By: 
Name: Rachel J. Rotnsic
Title: Vice President

CABLE AND WIRELESS PLC

By: 
Name: Timothy P. Long
Title: Attorney-in-fact

WORLDCOM, INC.

By: 
Name: Charles T. Carroll
Title: SVP

MCI TELECOMMUNICATIONS CORPORATION

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.

CABLE & WIRELESS INTERNET HOLDINGS, INC.

By: _____
Name: _____
Title: _____

CABLE AND WIRELESS PLC

By: _____
Name: _____
Title: _____

WORLDCOM, INC.

By: _____
Name: _____
Title: _____

MCI TELECOMMUNICATIONS CORPORATION

By: Michael H. Ginsburg
Name: MICHAEL H. GINSBURG
Title: EVP / GEN. COUNSEL / SECRETARY

F

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
Applications for Consent)	
to the Transfer of Control of Licenses from)	CC Docket No. 99-333
)	
SPRINT CORPORATION,)	
Transferor)	
to)	
)	
MCI WORLDCOM, INC.)	
Transferee)	

**AFFIDAVIT OF ROSE KLIMOVICH
ON BEHALF OF AT&T**

Rose Marie Klimovich, being first duly sworn upon oath, does hereby depose and state as follows:

1. I am currently employed by AT&T Corp. ("AT&T") as Director – Global Internet Network Services. Since January 1997, I have been responsible for the AT&T Internet infrastructure that supports the AT&T family of services (Worldnet consumer Internet service, the Virtual Private Network (VPN) service, Business Dial, Voice-over-IP, Broadband services and Managed Internet Service (MIS). The AT&T Internet infrastructure is both domestic and international in scope and includes the underlying network/servers/applications/systems/resources/centers that allow the service offering to meet customer needs. Since November, 1999, I have also been responsible for the division charged with the creation, profitability and management of the AT&T Internet Protocol ("IP") Global Offers.

2. The purpose of my affidavit is to show the harm this merger will cause to the Internet network backbone connectivity market. This merger will combine the facilities, personnel, intellectual property, institutional knowledge and the customer bases of Sprint Corporation ("Sprint") and MCI WorldCom, Inc. ("MCI WorldCom"). The combined entity will be by far the largest single nationwide backbone and Internet connectivity provider with an overall majority of customers (end users, web sites, Internet Service Providers ("ISPs") and dedicated access corporate customers) connected to the Internet. MCI WorldCom is already the dominant Internet backbone connectivity provider ("IBP"); allowing it to acquire Sprint's Internet business will render MCI WorldCom virtually unassailable both domestically and internationally. It will control so much of the Internet traffic that it could force other IBP's, including those currently considered Tier 1 IBPs, to buy transit from it or pay for MCI WorldCom's costs of interconnection (e.g., other IBPs, including AT&T, will likely be required to pay the costs of all the connections with MCI WorldCom). Even then, other IBP's (and their customers) will likely suffer high packet-loss and packet-delay because MCI WorldCom has historically upgraded its peering capacity late, relying on historical proof of need, rather than on predictable forecasted need. MCI WorldCom/Sprint's dominance will also cause less competition, higher end user cost, less network diversity and lower overall reliability.

3. The "Internet" is comprised of a number of connectivity services. First, there is Internet access from the end-user to an ISP. End-user connectivity can be dial-up access by retail customers (residential or business users), broadband access (residential or business users), or dedicated access by corporate customers.

4. Second, there is a wholesale Internet service which allows non-facilities based ISPs (or a facilities based ISP which does not have facilities in a particular location) to use the facilities of an Internet backbone provider. For example, AOL is an ISP that does not have its own facilities; it sold its facilities to MCI WorldCom and uses MCI Worldcom's Internet facilities to transport most of its traffic. AOL is about seven times larger than any other ISP (21 million subscribers). This gives MCI WorldCom unassailable economy of scale in dial access.

5. Third, there are backbone connectivity services that interconnect Internet networks. Connectivity at public peering points, referred to as Network Access Points ("NAPs"), have historically been prone to, and continue to be prone to, periodic congestion because large IBPs like MCI WorldCom and Sprint assign them a lower priority for capacity upgrades than upgrades for private peering. Peering is an expense that a large IBP may not wish to be proactive about increasing without subsidies by its peers. Congestion is also due to the fact that larger networks like MCI WorldCom and Sprint have historically upgraded peering capacity late, relying on historical proof of need, rather than on predictable forecasted need. Congestion at the NAPs slows down the speed of the connection, results in more packet loss, and lowers the quality of connection to the rest of the networks.

6. There is also interconnection through settlements-free private peering. MCI WorldCom and Sprint have both adopted private peering practices or policies which have changed over time, pursuant to which they no longer agree to settlements-free private peering arrangements unless the two networks are of roughly equal size. This is generally measured in terms of the amount of traffic exchanged, the size of the backbone

and the quantity of international circuits. Obviously, if MCI WorldCom and Sprint merge, no other network will be able to meet the merged entity's private peering requirements. Peering agreements can be terminated; some time ago it was reported that UUNet re-evaluated with whom they were peering and terminated many relationships.

7. The providers of Internet backbone connectivity services can be classified into tiers. Tier 1 providers are U.S. nationwide (or worldwide) Internet backbones, which provide nationwide Internet services using extensive owned or leased fiber facilities. They generally have settlements-free private peering connections with the other Tier 1 national backbone providers. MCI WorldCom and Sprint are among the Tier 1 national backbone providers.¹

8. Having private peering relationships with Tier 1 networks is absolutely critical for any IBP. Many large business customers issuing Requests for Proposals (RFPs) have insisted that IBP's bidding for their business have a specified volume of private peering (both number of points and size of interconnections) with particular Tier 1 Internet backbone networks. Some customers have informed AT&T that this requirement was included as a result of marketing efforts of major IBPs who stressed the added reliability of private peering interconnection. This is also important as we begin to roll out services that need cross-provider Service Level Agreements ("SLAs") and/or

¹ The second group of providers are national Internet backbone networks that either are facilities based companies that are moving to the Internet or use facilities leased from underlying fiber telecommunications providers, but which pay transit fees to one or more national backbone providers. A third group comprises the regional or local ISP Internet connectivity providers, which lease some regional or local network fiber facilities and equipment and interconnect with other small providers at the public NAPs make up another category. They typically purchase transit backbone services from any of the national backbone providers. The last group is made up of ISPs that do not have a network, but instead rely on others for wholesale Internet connectivity services.

Quality of Service (“QoS”) agreements. These agreements are often demanded by customers to improve their end-to-end performance.

9. IBPs with unbalanced traffic, then, are expected to become customers rather than be peers. They can do so by entering into a "transit arrangement" pursuant to which, for a fee, an Internet Backbone Provider (like MCI WorldCom) agrees to transport the traffic to terminating points on its network or on the networks of other IBPs with whom it has a private peering relationship. Alternatively, a large IBP might agree to a “paid-for” private peering relationship allowing traffic to be terminated on its network, but the IBP paying for such an interconnection cannot represent to its customers that it has a private peering relationship. This significantly hampers its ability to compete with those that do have settlements-free private peering relationships.

10. Installing Asynchronous Transfer Mode (ATM) Platform upgrades at public peering points takes a long time and this upgrade has not resolved the problem of packet loss and latency for particular peering pairs at the public NAPs.

11. Caching technology is not widely deployed and is of limited value as a means to reduce congestion between ISP networks. Multicasting and mirroring technology, when applied across multiple IBP's, also cannot keep up with the overall growth rate in traffic volume. Caching and these other intelligent content distribution technologies are relatively new services and are not cost free. Smaller providers would have to arrange with an intelligent content distribution service to install such technology in their network. Finally, content is becoming more dynamic in nature so generic caching is becoming less effective (e.g., search engine results, online bulletin boards, e-commerce

sites that pull their content from databases, streaming media that is too large to devote caching capacity to, voice-over-IP and chat and file transfers of music or video content).

12. AT&T's experience has been that the larger web server operations (probably limited to the top 200) will pay for and manage multiple direct connections to IBPs (multihoming) for redundant diversity protection, that is, to minimize the risk of network outages; smaller customers generally do not use it. Multihoming can also be used by these larger web site operators to obtain better connections and get closer to the end users. Generally, when multihoming, a web site operator will provision larger pipes to the Internet Backbone network with the most end users and smaller pipes for the smaller Internet Backbone network(s). Therefore, more revenue will go to the larger IBP.

13. The number of public NAPs has increased partially to try to get around congested NAPs. However, a few key public NAPs like MAE-East and MAE-West have more connections and traffic than other NAPs. MCI WorldCom (through MFS) owns and controls these two major NAPs. Thus, increasing the number of NAPs does not eliminate the issue of congestion at the more heavily used NAPS like MAE-East. Large IBP's (like MCI WorldCom) do not provide sufficient capacity to such public peering points to meet all requests. It is difficult to order upgrades in time to avoid congestion. Capacity can also take many months to upgrade even after increases have been negotiated, in part due to limitations of availability of local connection facilities, i.e., physical fiber, that may take many months to build by local telephone companies.

14. The services most impacted by this merger are Internet backbone services, wholesale dedicated and dial-in access services, high end dedicated retail services and Extranets. For Internet backbone and wholesale services, MCI WorldCom and Sprint

will have the largest revenue and scale. In retail, there are very few providers that have a large enough network to offer high end OCX IP dedicated access services. MCI WorldCom's merger with Sprint removes a major player in these services.

15. Market power for backbone services is best measured by (a) "eyeballs" or the volume of Internet traffic traversing an Internet backbone's network; (b) size of the network; (c) the number, type, and significance of each network's customers (its ".com" websites); and (d) number and size of peering connections.

16. Wholesale revenue data is also relevant; Tier 2 and other ISPs obtain Internet connectivity by purchasing wholesale service through a Tier 1 entity. MCI WorldCom and Sprint both have significant wholesale positions as reflected in the International Data Corporation ("IDC") data and the data included as Appendix D to AT&T's Petition to Deny. The wholesale market is hard to compete in because the margins are low; wholesale sells at a lower cost/bit than retail. Because of scale, larger IBPs have an advantage in wholesale relationships.

17. The retail market is also affected (especially for high end access). An IBP needs a large backbone to allow these connections. As a result of the merger, one of a handful of competitors (Sprint) will be removed from this market and the largest provider -- MCI WorldCom -- will be even larger.

18. Developing backbone networks and evolving into Tier 1 ISPs is a heavily capital intensive business in which the backbone facilities, routers/switches and physical access to the customer sites is critical. It is also time-consuming.

19. Increasingly, corporations are outsourcing their internal data processing functions and data networks requirements. This trend puts a premium on the ability to

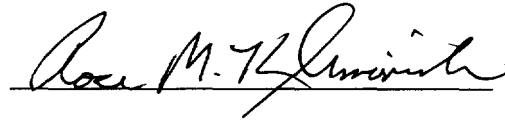
deliver high quality reliable transport over public network infrastructures. Private peering reflects this requirement for higher quality transport. But Internet interconnections through peering does not deliver the quality assurance service level agreements that customers are now requiring. Moving to this next step will be difficult with one very large provider.

20. Today, many business customers' corporate networks are provided by one provider. The Internet reflects the migration of applications to a common multi-provider interconnected infrastructure. Moving forward, e-commerce applications (e-commerce is the electronic transmission of business to business transactions with its suppliers and customers) requires connections over multiple backbones over a common high quality IP communications infrastructure. For many e-commerce applications (including Extranets), the backbone network will be the key enabler, and high quality inter-provider connections are critical. Having one large IBP will be a barrier to others being able to provide these applications in a quality way.

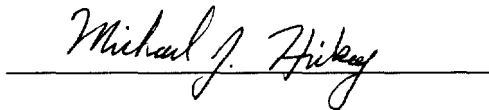
21. In conclusion, this merger raises at least four concerns: (a) the combined companies will dominate in wholesale; (b) the merger takes away a large competitor in the high end access space (OC-3s and OC-12s); (c) e-commerce extranets and other new applications will be more difficult to implement with quality; and (d) private settlements free peering will be in jeopardy since one network will be so much larger than any other.

VERIFICATION

I, Rose Klimovich, do on oath depose and state that the facts contained in the foregoing affidavit are true and correct to the best of my knowledge and belief.

A handwritten signature in cursive script, reading "Rose M. Klimovich", written over a horizontal line.

SUBSCRIBED AND SWORN to
before me this 17 day of
February, 2000.

A handwritten signature in cursive script, reading "Michael J. Hickey", written over a horizontal line.

MICHAEL J. HICKEY
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 6/4/2003

CERTIFICATE OF SERVICE

I, Karen Kotula, do hereby certify that on this 18th day of February, 2000,
a copy of the "Petition of AT&T Corp. to Deny Application" was mailed by U.S. mail,
first class delivery, postage prepaid, to the parties listed below:

International Transcription Service, Inc.*
445 12th Street, SW
Room CY-B402
Washington, DC 20554

Lauren Kravetz*
Federal Communications Commission
Wireless Telecommunications Bureau
445 12th Street, SW, Room 4-A163
Washington, DC 20554

Christopher Libertelli*
Federal Communications Commission
Common Carrier Bureau
445 12th Street, SW - Room 5-C234
Washington, DC 20554

Matthew Vitale*
Federal Communications Commission
International Bureau
445 12th Street, SW - Room 6-A821
Washington, DC 20554

Jim Bird*
Federal Communications Commission
Office of General Counsel
445 12th Street, SW - Room 8-C818
Washington, DC 20554

Sue D. Blumenfeld
Willkie, Farr & Gallagher
1155 21st Street, N.W. - Suite 600
Washington, DC 20036-3384
Counsel for Sprint

A. Richard Metzger, Jr.
Lawler, Metzger & Milkman, LLC
1909 K Street, NW - Suite 820
Washington, DC 20006
Counsel for MCI WorldCom


Karen Kotula

* By Hand Delivery